

ON DEMAND BUSINESS

FIVE THINGS YOU NEED TO KNOW FOR 2005

1: IT'S TIME TO EMPHASIZE, "WHY IBM?" Today over 75% of business leaders are aware of the term On Demand Business, and it is associated with IBM more than any other brand by a long shot. We should be proud of this progress.

But as more and more clients embrace uniting IT with their business strategy, more of our competitors are redefining themselves to respond as well. While deep integration of business processes with IT plays to IBM's strengths, much of the world credits us for having only technology expertise.

This is why we need to focus on IBM's strengths as a company of unparalleled problem solvers, advancing business innovation by bringing business insight, science, and technology together to deliver superior results.

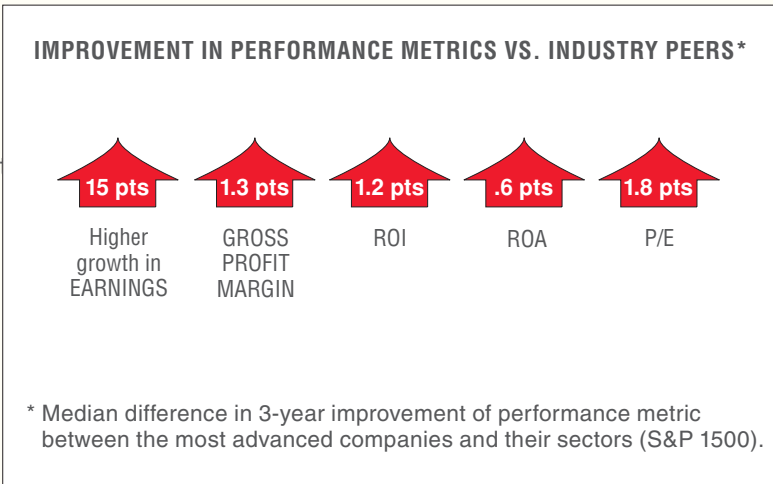
The fact is, we have never been better positioned to lead. The biggest breakthroughs we are generating today come when we focus on a client or industry challenge and bring all of IBM together: business insight, science and a culture of innovation. This is how we create an On Demand Business:

An enterprise whose business processes – integrated end-to-end across the company and with key partners, suppliers and customers – can respond with flexibility and speed to any customer demand, market opportunity or external threat.

As you will see in the examples that follow, when organizations build and become an On Demand Business, step change improvements in results are achieved.

We are at a defining moment in industry and commerce. Our clients seek to outpace others in their industry by capitalizing on the dramatic changes brought on by globally connected economies and open standards. This is exactly what On Demand Business is all about. What follows are new insights showing why the strategy resonates and is taking hold, and how to communicate what sets IBM apart.

2: INNOVATION IS WHAT BREAKS NEW GROUND Thinking about business processes end-to-end and beyond the



For more information, [click here](#) or see page 6.

four walls of a company is taking leaders beyond just incremental gains – and is breaking new ground. In the battle for market leadership, even a single-point gain in earnings or gross profit margin, can make the difference between first or second place.

A recent study by IBM Research reviewed business performance gains of companies who have advanced the farthest in building On Demand Business capabilities. Results demonstrate that those companies that are more horizontally integrated, flexible and responsive achieve greater business returns than others in their industry that do not have those characteristics.

Each industry has their own measure of success as well. IBM Business Consulting Services industry business performance research shows an On Demand Business consistently outperforms peers:

- In Electronics: profitability is 1.5 times higher and average return on investment is twice industry norms.
- In Automotive: revenue growth is 6% higher and return on invested capital is nearly twice the industry average.
- In Consumer Goods: revenue growth is 25% higher and return on invested capital is nearly twice the industry average.

Business leaders are finding new ways to create business value, including new business models and the componentization of both business processes and IT.

3: WHERE CLIENTS ARE INVESTING TIME, ENERGY AND RESOURCES 8 out of 10 CEO's are concerned with



finding new ways to grow, while containing costs. They are looking for ways to innovate their business to fuel this growth.

Clients, large and small, are also striving for ways to increase productivity beyond that delivered by traditional approaches (they've done that already).

Many are seeking to make their businesses more secure in a less stable world, to make their IT infrastructure more competitive, and are driving change needed to meet a whole new standard in corporate governance.

And our clients reinforce that their issues vary by industry, size of business and geography. We take them on a step at a time, one by one. And we deliver incremental results. A recent analysis of **hundreds of customer references** shows performance gains of 30% **cost savings**, 40% **productivity increases**, 25% **revenue increases** and 50% **reduction in cycle times**.

Here are a few leading business innovators who are redefining success in their industries (please click on client name for full case study or go to w3.ibm.com/ondemand/customers):

- ➡ Cutting media industry production cycle for animation films in half – [Threshold Digital Research Labs](#)
- ➡ Tracking merchandise from the warehouse to the shopping basket – [Metro Group](#)
- ➡ Paving the way for auto insurance customer-specific pricing through wireless telemetry – [Norwich Union/Aviva](#)

Additional case studies:

BOSTONCOACH

DRIVING INNOVATION INTO TRANSPORTATION FLEET DISPATCH PROCESS

CHALLENGE: Maintain growth and profitability, while overcoming increasing complexity in dispatching cars and drivers.

RESULTS: Benefits included a 10 to 20% increase in fleet utilization, achieved capacity to increase revenue by up to 10% without adding additional resources (i.e., drivers or cars), and several million dollars in cost savings.

HOW? Teamed with IBM researchers to create a dispatch management system that is capable of sensing and responding to changing parameters in real time.

PARCELHOUSE

RESPONSIVE INFRASTRUCTURE TO PROVIDE BUSINESS FLEXIBILITY TO TAKE ON NEW CUSTOMERS

CHALLENGE: With just 150 employees, win critical mass of larger global clients for logistics management service, while preserving capital to support growth and keeping ongoing costs predictable.

RESULTS: Benefits include system availability that exceeds 99.9%, system recovery time reduced from 40 minutes to virtually zero minutes, and tripling the number of supported users by 200%.

HOW? IBM provided an open, highly resilient platform that employs a flexible, fixed-plus-usage-based pricing model.

BANCA POPOLARE DI MILANO

HORIZONTAL INTEGRATION TO ACHIEVE SINGLE VIEW OF BANKING CUSTOMERS

CHALLENGE: Improve customer experience by getting to a consistent view of its customer accounts, across all of its sales channels.

RESULTS: Benefits include improved cross-selling revenue opportunities, a seamless user experience that raises customer satisfaction and retention, along with shorter development cycles and faster time to market.

HOW? Developed a multi-channel solution that enables seamless service access for customers and an integrated view of customers for branch employees. IBM Business Consulting Services used a component business modeling technique to analyze business processes and to help prioritize development of a more flexible architecture to support the business.

VOLKSWAGEN

LEVERAGING INFORMATION AND INTEGRATING BUSINESS PROCESSES TO SPEED PROCUREMENT DECISION-MAKING

CHALLENGE: To keep up with a rapidly changing supplier environment, get procurement staff to focus their energies on high-value activities and driving efficiencies, and spend less time seeking and wading through information.

RESULTS: Realizing 20% rise in employee productivity. 100% payback expected within first year.

HOW? IBM Business Consulting Services provided business process design and integration skills, and put in place an On Demand Workplace to simplify and automate the process by which employees and suppliers capture, access, analyze and use information.

TRAVELEX

INCREASE FLEXIBILITY SO NEW FOREIGN EXCHANGE SERVICES GET DEVELOPED RAPIDLY AND EFFICIENTLY

CHALLENGE: Growing infrastructure was complex and expensive to maintain, and impeded business agility.

RESULTS: Benefits include an anticipated 30% reduction in the application development cycle time that enables the deployment of new applications to keep pace with the company's level of innovation, reduced transaction processing time by 85% and expected reduced administrative and application support costs by 20%.

HOW? Consolidated disparate foreign exchange systems into one open integration platform, eliminating the need for point-to-point integration and allowing for easy integration with existing and potential partners.

IBM GLOBAL ASSET RECOVERY SERVICES (GARS)

HORIZONTAL INTEGRATION ACROSS THE SUPPLY CHAIN

CHALLENGE: IBM's GARS, once based on high-value, low-volume transactions, could not keep pace with the explosion in IBM product types, volumes, and market volatility.

RESULTS: Sales cycle times have improved 20-fold, from days to hours, and inventory and administrative costs have improved 50%, while revenues grew 30%.

HOW? Integrated GARS end-to-end with IBM's suppliers, customers and partners, making information available virtually anytime, anywhere and enabling IBM to quickly reconfigure inventory in order to meet demand. Our own experience innovating for growth is often the basis for many of the client solutions we bring to market.

4: ON DEMAND BUSINESS – IT'S NOT WHAT YOU BUY, IT'S WHAT YOU BECOME The previous examples illustrate that no two companies approach On Demand Business in the same way. We recognize that each client's on demand journey starts from a different and unpredictable path. What sets IBM apart is how we can approach client challenges from many entry points, and the breadth of resources we have to take on any challenge.

Choosing the right partner to create an On Demand Business is vital, but by no means simple, for several reasons:

- Traditional thinking and tools won't get you there
- Every organization, industry, and problem is different
- Mid-sized businesses are a force of innovation in the economy, and want no limits due to size
- There's too much at stake to rely on leaps of faith and untested opinions

Meeting customer challenges now and in the future calls for us to re-invent continuously the range of capabilities we offer. Collaboration becomes a way of life for us, sharing experiences and knowledge that takes the best thinking to create breakthrough innovation. To respond to ever-changing needs, we actively support a widening ecosystem of partners and developers across the industry – over 90,000 of them. Our collaboration extends as well to universities, research facilities and our pioneering clients. And we offer insights from IBM's own journey to help accelerate benefits and reduce risks.

On Demand Business is not a product we sell. It's about our problem-solving approach – what we and our Business Partners can do to help each client accelerate their own on demand journey – on their terms. Here is a list of some of the capabilities and approaches we are using with clients today:

- Component Business Modeling
- Business and Infrastructure Solutions
- IBM Center for Business Optimization
- Software as a service
- Service oriented architecture
- Virtualization

Some of these things we've been working on for a long time, and some capabilities are quite new. There are many of our products and services underneath this list – but **On Demand Business isn't something you buy – it's something you build and become over time.**

5: IBM: A ONE-OF-A-KIND PROBLEM SOLVER FOR BUSINESS LEADERS On Demand Business is the “New Agenda” for business – driving a wave of new thinking by leaders about business design, relationships, and infrastructure. So, it's no surprise that our clients are asking us: How should I think about building an On Demand Business?

FIRST: Innovation drives step change business improvements. Technology insight is a good thing. Business insight is a good thing. But uniting them is what breaks new ground. Every day we are proving this by applying the same discipline and rigor we use to solve technology challenges to solving business problems.

SECOND: This is a journey that happens in steps. And where a client starts is up to them, not us. This is why we are committed to open standards and build modularity into everything we offer. Being built for change is a pre-requisite in an on demand world.

THIRD: Clients, large and small, want to do this on their terms. And we bring more options to the table than any other partner. IBM leads in the range of choice in how solutions are accessed, deployed and financed.

Innovation and re-invention may seem like lofty goals. But in a climate of constant and unpredictable change, these attributes become not only the hallmarks of leadership, but requirements for survival. IBM has the proven experience, skills and capabilities to deliver.

**HERE ARE RESOURCES TO HELP YOU WITH THE LATEST INSIGHTS TO TELL OUR STORY
IN A CONSISTENT AND COMPELLING WAY:**



Business leaders are demanding more from business and looking for new ways to achieve growth, productivity and an optimized technology environment aligned to the business.	<ul style="list-style-type: none"> • Your turn: The Global CEO Study 2004 conducted by IBM Business Consulting Services • On Demand Business Client Investment Research • Setting context: Industry Points of View  click links
Proof is in the results. We have a ton of great client references that demonstrate our capabilities.	<ul style="list-style-type: none"> • On Demand Business Reference Database • Becoming an On Demand Business: IBM Case Studies • Metrics: Quantifying the Impact of On Demand Business
Clients rarely do an end-to-end transformation as step one. However, they value help in identifying which aspect of their business or infrastructure to change.	<ul style="list-style-type: none"> • A methodology to help clients determine what to prioritize or change: Component Business Modeling • Steps to evolving infrastructure for On Demand Business
Our solutions approach hinges on how well we can integrate hardware, software, business consulting, IT services and Business Partner applications – in the context of top client priorities.	<ul style="list-style-type: none"> • Example offerings and solutions for top On Demand Business investment areas: Offering Guide • Business Solutions Portfolio • Infrastructure Solutions Seller Playbooks • Solutions for Small and Medium Businesses
What we say is as important as how we say it. We need to execute as a team, speaking with one voice to one focused theme: On Demand Business.	<ul style="list-style-type: none"> • Core set of On Demand Business presentation materials

Click on active links above or go to w3.ibm.com/ondemand

We want your feedback and we're here to help.

Send e-mail to Notes ID: [On Demand Business Feedback/Somers/IBM@IBMUS](#)